



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

SENIOR CERTIFICATE EXAMINATIONS/ NATIONAL SENIOR CERTIFICATE EXAMINATIONS

ECONOMICS P1

2019

MARKS: 150

TIME: 2 hours

Stanmorephysics

This question paper consists of 12 pages.

INSTRUCTIONS AND INFORMATION

1. Answer FOUR questions as follows in the ANSWER BOOK:

SECTION A: COMPULSORY

SECTION B: Answer TWO of the three questions.

SECTION C: Answer ONE of the two questions.

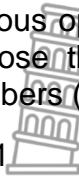



2. Answer only the required number of questions. Answers in excess of the required number will NOT be marked.
3. Number the answers correctly according to the numbering system used in this question paper.
4. Write the question number above each answer.
5. Read the questions carefully.
6. Start EACH question on a NEW page.
7. Leave 2–3 lines between subsections of questions.
8. Answer the questions in full sentences and ensure that the format, content and context of your responses comply with the cognitive requirements of the questions.
9. Use only black or blue ink.
10. You may use a non-programmable calculator.
11. Write neatly and legibly.



SECTION A (COMPULSORY)**QUESTION 1****30 MARKS – 20 MINUTES**

1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question numbers (1.1.1 to 1.1.8) in the ANSWER BOOK, e.g. 1.1.9 D.

- 1.1.1  Labour can be bought and sold in the ... market.
- A goods
 - B factor
 - C financial
 - D consumer
- 1.1.2 Comparative cost advantage shows that world output can increase if countries ... in what they do best.
- A impose tariffs
 - B limit the use of technology
 - C specialise
 - D protect workers
- 1.1.3 The medium-term expenditure framework (MTEF) is a ...-year government expenditure and revenue projection.
- A three
 - B one
 - C two
 - D four
- 1.1.4 The peak of a business cycle is characterised by a ...
- A high demand for credit.
 - B stable inflation rate.
 - C high unemployment rate.
 - D low output.
- 1.1.5 An increase in the productive capacity of the economy over a specific period of time is called ...
- A contraction.
 - B economic development.
 - C economic growth.
 - D globalisation.
- 1.1.6 Cost-sharing grants by government to improve roads is called the ... Programme.
- A Expanded Public Works
 - B Critical Infrastructure
 - C Small Business Support
 - D Skills Development
- 

1.1.7 An example of an economic indicator is ...

- A sanitation.
- B population growth.
- C life expectancy.
- D production price index.

1.1.8 Social grants to the citizens of South Africa forms part of the ... policy.

- A monetary
- B trade
- C growth
- D fiscal


(8 x 2) (16)


1.2 Choose a description from COLUMN B that matches the item in COLUMN A. Write only the letter (A–I) next to the question numbers (1.2.1 to 1.2.8) in the ANSWER BOOK.

| COLUMN A | | COLUMN B | |
|----------|------------------------------------|----------|---|
| 1.2.1 | Multiplier | A | when a state-owned business is sold to a private sector enterprise |
| 1.2.2 | Privatisation | B | bring disadvantaged groups to an equal level in terms of hiring, promotion and other aspects of employment |
| 1.2.3 | Diverting trade | C | responsible for infrastructure and business investments in neglected and underdeveloped areas |
| 1.2.4 | Free-floating exchange rate | D | international institution established to promote recovery and development |
| 1.2.5 | World Bank | E | high quality standards are imposed to make the importing of goods more difficult |
| 1.2.6 | Industrial development zones (IDZ) | F | the value of a currency in terms of another, that is determined by market forces |
| 1.2.7 | Employment equity | G | measures price changes of an average basket of goods and services purchased by a consumer |
| 1.2.8 | Consumer price index (CPI) | H | a small initial increase in spending produces leads to a proportionally larger increase in aggregate income |
| | | I | industrial estates that are physically enclosed and near to a harbour or airport |

(8 x 1) (8)

1.3 Give ONE term for EACH of the following descriptions. Write only the term next to the question numbers (1.3.1 to 1.3.6) in the ANSWER BOOK. Abbreviations, acronyms and examples will NOT be accepted.

1.3.1  The total value of final goods and services produced within the borders of a country in a given period

1.3.2  Predicting the future economic activities using facts or information that is known

1.3.3 Record of all trade and financial transactions between a country and the rest of the world

1.3.4 The increase in the standard of living of the people over a period of time

1.3.5 Efforts by governments to move manufacturing and other businesses from metropolitan areas to rural areas

1.3.6 It measures the distance between the peak and the trough of a business cycle (6 x 1) (6)

TOTAL SECTION A: 30



SECTION B

Answer any TWO of the three questions in this section in the ANSWER BOOK.

QUESTION 2: MACROECONOMICS

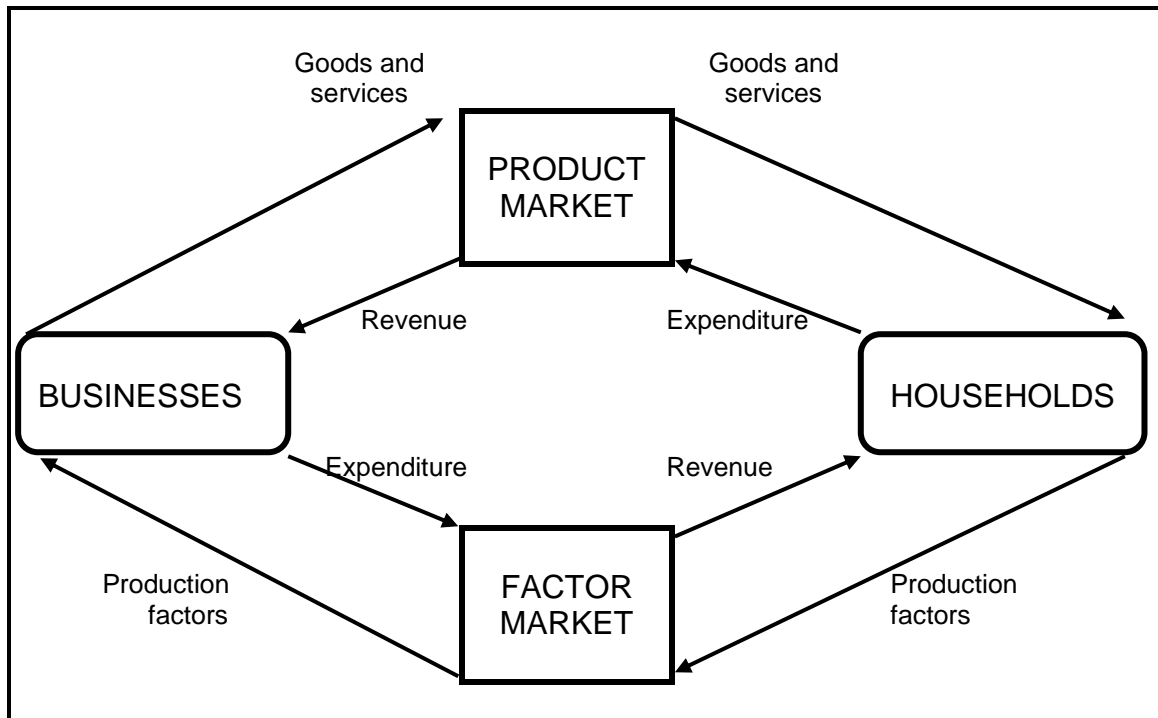
40 MARKS – 30 MINUTES

2.1 Answer the following questions.

2.1.1 Name any TWO monetary policy instruments used by the South African Reserve Bank. (2 x 1) (2)

2.1.2 What is the purpose of a trend line in a business cycle? (1 x 2) (2)

2.2 Study the diagram below and answer the questions that follow.



2.2.1 What is depicted in the diagram above? (1)

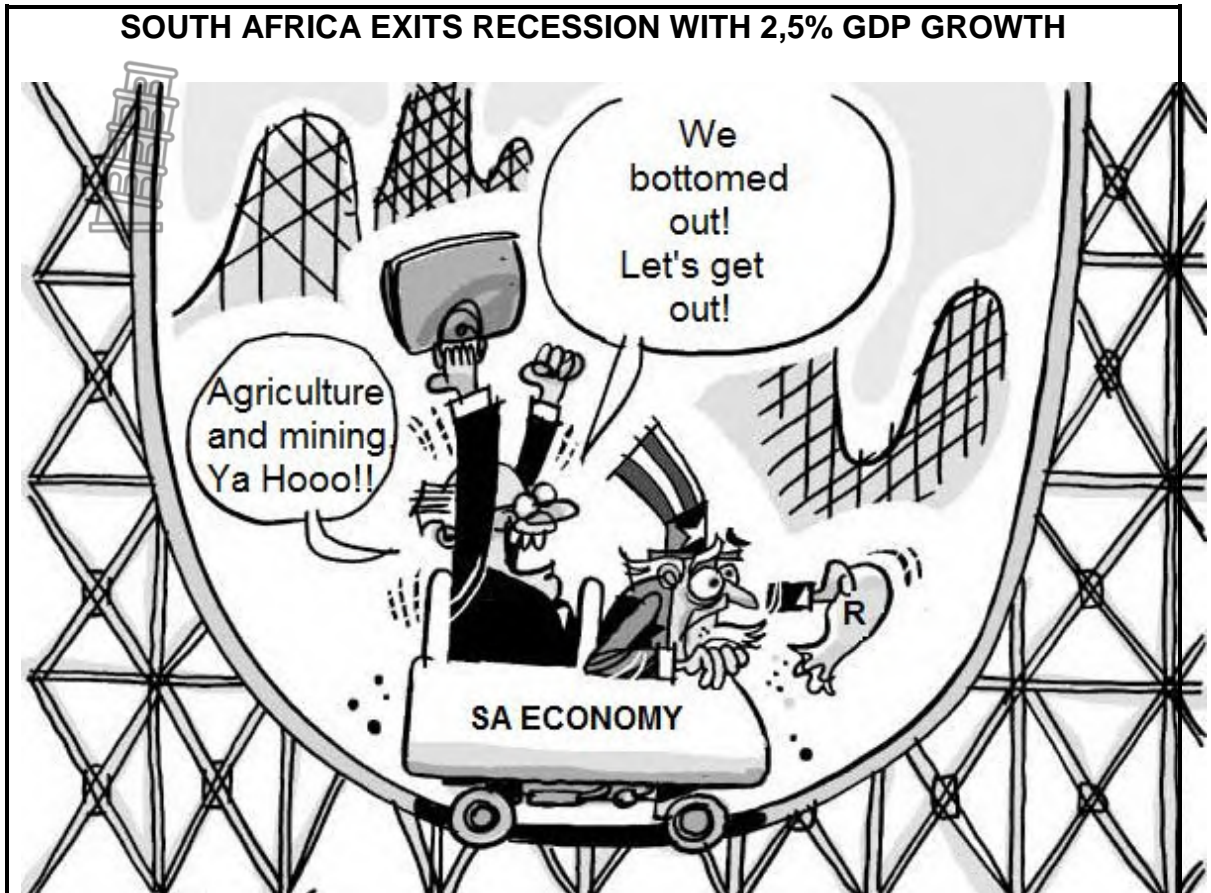
2.2.2 Identify ONE example of a real flow. (1)

2.2.3 Briefly describe the term *product market*. (2)

2.2.4 What could the Minister of Finance do to promote economic activities in South Africa? (2)

2.2.5 How can foreign direct investment (FDI) influence the national income? (2 x 2) (4)

2.3 Study the information below and answer the questions that follow.



[Adapted from Google images, 2018]

Growth in the agricultural sector is going through the roof by 33,6%. Mining grew by 3,9%, contributing 0,3 of a percentage point to the overall growth. The secondary sector grew 1,9% and the manufacturing industry 1,5%.


- 2.3.1 Name ONE characteristic of the trough of a business cycle. (1)
- 2.3.2 In which sector does agriculture operate? (1)
- 2.3.3 Briefly describe the term *business cycle*. (2)
- 2.3.4 What economic spin-offs can result due to the 2,5% GDP growth? (2)
- 2.3.5 How can the mining sector stimulate economic growth? (2 x 2) (4)
- 2.4 Briefly discuss *income levels* and *preferences and taste* as demand reasons for international trade. (2 x 4) (8)
- 2.5 Evaluate taxation as part of the government's strategy to grow the economy. (8)


[40]

QUESTION 3: ECONOMIC PURSUITS

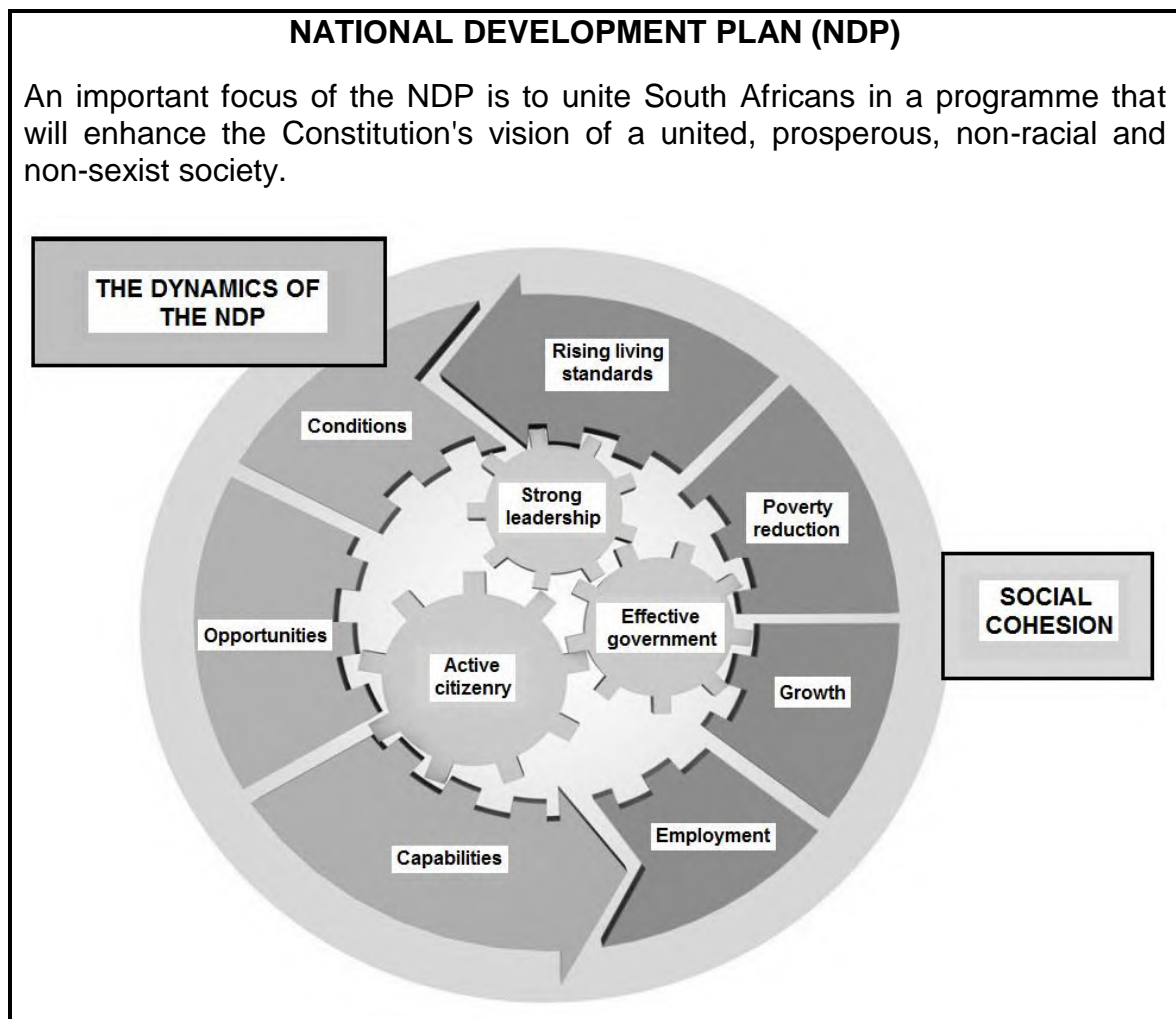
40 MARKS – 30 MINUTES

3.1 Answer the following questions.

3.1.1  Name any TWO aspects addressed by the North-South divide. (2 x 1) (2)


3.1.2  How would an increase in productivity benefit foreign investment in South Africa? (1 x 2) (2)

3.2 Study the information below and answer the questions that follow.



[Adapted from the *Executive Report on National Development*]

3.2.1 Name ONE inequality that should be addressed by the National Development Plan. (1)

3.2.2 Which economic indicator measures the standard of living of a community?  (1)

3.2.3 Briefly describe the term *employment*. (2)

3.2.4 Why should government focus on small-business development to solve the major problem of unemployment? (2)

3.2.5 How would the success of the NDP benefit the economy? (2 x 2) (4)

3.3 Study the information below and answer the questions that follow.

B-BBEE MORE RELEVANT THAN EVER

B-BBEE aims to ensure that the economy is structured and transformed. This will enable the meaningful participation of the majority of the citizens promoting the entry of black entrepreneurs into the mainstream economic activities and the advancement of co-operatives.

[Adapted from News24, February 2017]

- 3.3.1 What does the acronym *B-BBEE* stand for? (1)
- 3.3.2 Which government department is responsible to ensure that the B-BBEE policy becomes a reality? (1)
- 3.3.3 Briefly describe the term *industrial development*. (2)
- 3.3.4 What positive role does the Industrial Policy Action Plan (IPAP) play regarding black economic empowerment? (2)
- 3.3.5 What can be done to promote entry of black entrepreneurs into businesses? (2 x 2) (4)
- 3.4 Briefly discuss the *supply-side approach* in promoting economic growth. (4 x 2) (8)
- 3.5 Why are special economic zones important to the economy? (8)
- [40]**



QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS
40 MARKS – 30 MINUTES

4.1 Answer the following questions.

- 4.1.1 Give any TWO benefits of the Expanded Public Works Programme (EPWP). (2 x 1) (2)
- 4.1.2 How will the decentralisation of industries contribute towards employment creation in the country? (1 x 2) (2)

4.2 Study the table below and answer the questions that follow.

| FINAL CONSUMPTION EXPENDITURE BY HOUSEHOLDS | | | |
|--|------------------|------------------|------------------|
| AT CURRENT PRICES (R millions) | 2010 | 2015 | 2017 |
| Durable goods | 136 049 | 199 971 | 209 997 |
| Semi-durable goods | 133 323 | 203 082 | 231 668 |
| Non-durable goods | 625 989 | 962 467 | 1 124 170 |
| Services | 726 476 | 1 051 760 | 1 199 221 |
| TOTAL | 1 621 836 | 2 417 271 | 2 764 397 |

[Adapted from *Quarterly Bulletin South African Reserve Bank*, March 2018]

- 4.2.1 Give ONE example of a non-durable good. (1)
- 4.2.2 Name ONE other item that is used to calculate GDE. (1)
- 4.2.3 Briefly describe the term *durable goods*. (2)
- 4.2.4 Why are the figures above NOT a true reflection of GDE growth? (2)
- 4.2.5 Calculate the percentage contribution of services in the final consumption expenditure by households in 2017. (2 x 2) (4)



4.3 Study the table below and answer the questions that follow.

| BUDGET SPEECH 2018: CHANGES IN INDIRECT TAXES | |
|---|--|
| INDIRECT TAXES | INCREASES IN TAX RATES |
| Carbon tax | The price of plastic bags increases by 50% to 12c per bag. |
| Estate duty | Increase by 25% for estates greater than R30 million. |
| Tax on luxury goods | The ad valorem excise duties on luxury goods, such as motor vehicles, increased from 7% to 9%. |

[Adapted from <https://www.fin24.com/budget-speech-2018>]

- 4.3.1 Which ministry (department) is responsible for the presentation of the national budget speech to the parliament? (1)
- 4.3.2 Name ONE form of direct tax payable to the state. (1)
- 4.3.3 Briefly describe the term *budget*. (2)
- 4.3.4 How will the increase in carbon tax on plastic bags benefit the economy? (2)
- 4.3.5 Briefly describe the extent to which the government addresses economic equity. (2 x 2) (4)
- 4.4 Briefly describe *free market orientation* and *competitiveness* as guidelines for regional development in South Africa. (2 x 4) (8)
- 4.5 How does an improvement in the *terms of trade* influence the balance on the current account? (8)

[40]

TOTAL SECTION B: 80



SECTION C

Answer any ONE of the two questions in this section in the ANSWER BOOK.

Ensure that your answer follows the structure indicated below in order to obtain the maximum marks.

| STRUCTURE OF ESSAY | MARK ALLOCATION |
|---|------------------------|
| Introduction The introduction is a lower-order response. <ul style="list-style-type: none"> • A good starting point would be to define the main concept related to the question topic. • Do not include any part of the question in your introduction. • Do not repeat any part of the introduction in the body. • Avoid mentioning in the introduction what you are going to discuss in the body. | Max. 2 |
| Body Main part: Discuss in detail/In-depth discussion/Examine/Critically discuss/Analyse/Compare/Evaluate/Distinguish/Differentiate/Explain Additional part: Give own opinion/Critically discuss/Evaluate/Critically evaluate/Draw a graph and explain/Use the graph given and explain/Complete the given graph/Calculate/Deduce/Compare/Explain/Distinguish/Interpret/Briefly debate/How/Suggest | Max. 26 Max. 10 |
| Conclusion Any higher-order conclusion should include: <ul style="list-style-type: none"> • A brief summary of what has been discussed without repeating facts already mentioned • Any opinion or value judgement on the facts discussed • Additional support information to strengthen the discussion/analysis • A contradictory viewpoint with motivation, if required • Recommendations | Max. 2 |
| TOTAL | 40 |

QUESTION 5: MACROECONOMICS**40 MARKS – 40 MINUTES**

- Discuss import substitution as an international trade policy under the following:
 - Advantages (8 marks)
 - Disadvantages (8 marks)
 - Methods (10 marks) (26 marks)
- Why should free trade be favoured instead of protectionism? (10 marks) **[40]**

QUESTION 6: ECONOMIC PURSUITS**40 MARKS – 40 MINUTES**

- Discuss social indicators in detail under the following:
 - Education (8 marks)
 - Services (8 marks)
 - Demographics (10 marks) (26 marks)
- How can the use of social indicators assist government in decision-making? (10 marks) **[40]**

TOTAL SECTION C: 40
GRAND TOTAL: 150



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2019

MARKING GUIDELINES

MARKS: 150


These marking guidelines consist of 21 pages.



SECTION A (COMPULSORY)

QUESTION 1


1.1 MULTIPLE-CHOICE QUESTIONS

- 
- 1.1.1 B – factor ✓✓
1.1.2 C – specialise ✓✓
1.1.3 A – three ✓✓
1.1.4 A – high demand for credit ✓✓
1.1.5 C – economic growth ✓✓
1.1.6 B – critical infrastructure ✓✓
1.1.7 D – production price index ✓✓
1.1.8 D – fiscal ✓✓ (8 x 2) (16)

1.2 MATCHING ITEMS

- 1.2.1 H – a small initial increase in spending produces a proportionally larger increase in aggregate income ✓
1.2.2 A – when a state owned business is sold to a private sector enterprise ✓
1.2.3 E – high-quality standards are imposed to make the importing of goods more difficult ✓
1.2.4 F – the value of a currency in terms of another determined by market forces ✓
1.2.5 D – international institution established to promote recovery and development ✓
1.2.6 I – industrial estates that are physically enclosed and adjacent to a harbour or airport ✓
1.2.7 B – bring disadvantaged groups on an equal level in hiring, promotion and other aspects of employment ✓
1.2.8 G – measures changes in prices of an average market basket of goods and services purchased by a consumer ✓ (8 x 1) (8)

1.3 GIVE THE TERM

- 
- 1.3.1 Gross Domestic Product ✓
1.3.2 Extrapolation ✓
1.3.3 Balance of payments ✓
1.3.4 Economic development ✓
1.3.5 Decentralisation ✓
1.3.6 Amplitude ✓ (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B

Answer TWO of the three questions in this section in the ANSWER BOOK.

QUESTION 2: MACROECONOMICS

2.1 Answer the following questions.

2.1.1  Name any TWO monetary policy instruments used by the South African Reserve Bank.

- Interest rates ✓
- Cash reserve requirements ✓
- Open market transactions ✓
- Moral suasion ✓
- Foreign exchange control ✓ (2 x 1) (2)

2.1.2 What is the purpose of a trend line in a business cycle?

The trend indicates the general direction in which indexes move, that were used in the business cycle ✓✓
(Accept any other correct relevant response) (1 x 2) (2)

2.2 DATA RESPONSE

2.2.1 What is depicted in the diagram above?

Circular flow model / Two sector circular flow model ✓ (1)

2.2.2 Identify ONE example of a real flow.

Factors of Production/Goods and services ✓ (1)

2.2.3 Briefly describe the term *product market*.

The market where final consumer goods and services are traded (sold and bought) ✓✓
(Accept any other correct relevant response) (2)

2.2.4 What could the Minister of Finance do to promote economic activities in South Africa?

The minister could be:

- creating more confidence in macroeconomic policies between all role players in the economy ✓✓
 - developing an investor friendly legislation, availing opportunities for all with the capabilities to participate e.g. SMMEs ✓✓
 - overseeing an SA economy operating in a global economy rather than a closed one ✓✓
 - making laws and legislation that permit participation ✓✓
 - conducting research on what needs to be done and promote ✓✓
- (Accept any other correct relevant response) (2)
(Accept responses that include levying of direct and indirect taxation as well as government spending)

2.2.5 **How can foreign direct investment (FDI) influence the national income?**



An increase in FDI will influence the national income positively by:

- investing more (an injection into the circular flow) which will increase production ✓✓
- increasing employment opportunities that will result in a greater demand for goods and services ✓✓
- increasing aggregate demand (multiplier effect) ✓✓ (2 x 2)

(Accept any other correct relevant response)

(Credit answers if candidates explained the above in a negative way)

(4)

2.3 **DATARESPONSE**

2.3.1 **Name ONE characteristic of the trough in a business cycle.**

- Lower business activities ✓
- Decreased in consumption ✓
- High unemployment ✓
- Decrease in profits ✓
- Economy slows down / decrease in economic activities ✓
- Interest rate decrease ✓

(Accept any other correct relevant response)

(1)

2.3.2 **In which sector does agriculture operate?**

Primary ✓

(1)

2.3.3 **Briefly describe the term *business cycle*.**

The business cycle shows fluctuations (expansion and contraction) of economic activities. ✓✓

(Accept any other correct relevant response)

(2)

2.3.4 **What economic spin-offs can result due to the 2,5% GDP growth?**

- More employment in the economy ✓✓
- More investments in capital intensive methods of production ✓✓
- More participation in the economy ✓✓
- Increased consumption and productivity ✓✓
- This could create higher inflation ✓✓
- Negative fluctuations in the countries' exchange rates (exports could be negatively affected) ✓✓
- Inflation could increase due to higher supply ✓✓
- Increase in interest rates ✓✓


(Accept any other correct relevant response)

(Accept negative response if substantiated)

(2)

2.3.5 How can the mining sector stimulate economic growth?

The mining sector can stimulate economic growth by:

- 
- improving the production techniques that will increase production and exports and lower the production cost ✓✓
 - stimulating the industries related to manufacturing e.g. the steel and the engineering industry ✓✓
 - finalising and implementation of a globally accepted mining policy will attract more investments ✓✓
 - reducing labour actions through appropriate wage negotiations ✓✓
 - motivating workers with production incentives as additional income ✓✓

(Accept any other correct relevant response) (2 x 2) (4)

2.4 Briefly discuss *income levels* and *preferences and taste* as demand reasons for international trade

Income levels:

- Changes in income cause a change in the demand for goods and services ✓✓
- Consumable income for example may increase due to a decrease in tax, or increased employment of factors of production which may lead to increased consumption expenditure ✓✓
- Higher income creates more needs, wants, and subsequently greater demand for a greater variety of goods even if it necessary to get the goods from abroad ✓✓
- An increase in the per capita income of people results in more disposable income that can be spent on local goods and services, some of which may then have to be imported ✓✓ (Max 4)

Preferences and taste:

- Not all the goods wanted are produced in a country ✓✓
- Consumer preferences and taste play a decisive role in demand of goods from foreign countries ✓✓
- If consumers in China have a preference for tea and consumers in America have a preference for coffee, the relative prices of tea and coffee will differ between these countries ✓✓
- This is influenced by international migration in terms of religion and life styles ✓✓ (Max 4)

(Accept any other correct relevant response) (2 x 4)

(Allocate maximum of 4 marks for examples or mere listing of facts) (8)



2.5 Evaluate taxation as part of the government’s strategy to grow the economy.

Government is stimulating economic activities through taxation by:

- providing tax incentives to export-driven producers ✓✓
- increasing the number of zero-rated products to enhance increased consumption ✓✓
- keeping company tax (corporate tax) at a lower levels ✓✓
- reducing the import duties on capital goods that eventually would not impact negatively on domestic prices ✓✓✓
- reducing the tax rate for the foreign investors as an incentive inward investment ✓✓

Taxation is hampering economic activities by an increase in the:

- VAT rate that would definitely limit expenditure on necessary goods needed by lower income groups and impact negatively on production ✓✓
- individual personal income taxes that will discourage workers in higher income groups to work extended hours ✓✓
- fuel levies that eventually will lead to higher production costs and have a negative effect on the aggregate demand of economic goods and services ✓✓
- excise duties which hamper agricultural production because of lower demand for imports ✓✓

(Accept any other correct relevant response)

(Allocate maximum of 2 marks for examples or mere listing of facts)

(8)
[40]



QUESTION 3: ECONOMIC PURSUITS

3.1 Answer the following questions.

3.1.1  Name any TWO aspects addressed by the North/South divide.

- Unequal standards of living ✓
- Challenges of globalisation ✓
- Environmental issues ✓
- Sustainable development ✓

(Accept any other correct relevant response) (2 x 1) (2)

3.1.2 How would an increase in productivity benefit foreign investment in South Africa?

When a producer produces less additional units of a good at a lower extra cost compared to others in the industry, it might lead to less factors of production needed to produce the same production output that might lead to more unemployment ✓✓

(Accept any other correct relevant response) (1 x 2) (2)

3.2 DATA RESPONSE

3.2.1 Name ONE inequality that should be addressed by the National Development Plan.

- Poverty ✓
- Unemployment ✓
- Skills development ✓
- Education ✓
- Standard of living ✓
- Income distribution and wealth ✓

(Accept any other correct relevant response) (1)

3.2.2 Which economic indicator measures the standard of living of a community?

per capita real GDP / Income per capita ✓ (1)

3.2.3 Briefly describe the term *employment*.

The number of people in an economy who provide services for pay under a contract as well as the self-employed // The number of employed persons as percentage of the EAP // Someone working and able to add value to their community or country and contribute to the economy ✓✓

(Accept any other correct relevant response) (2)

3.2.4 **Why should government focus on small business development to solve the major problem of unemployment?**



- Small businesses have the capacity to create employment and enjoy long-term prosperity in the country as a whole ✓✓
- Entrepreneurship is seen as a way to ensure a sustainable economy in the future with lower rates of unemployment ✓✓
- Contribute to the GDP of the country as well as regional growth by focusing on youth employment subsidies to lower the youth unemployment rate ✓✓

(Accept any other correct relevant response) (2)

3.2.5 **How would the success of the NDP benefit the economy?**

The NDP will benefit the economy by improving:

- economic growth through job creation ✓✓
- living standards and less dependency on social grants ✓✓
- economic integration within and outside the borders of the country ✓✓
- quality output both in goods and services ✓✓
- economic efficiency – higher productivity – higher profits ✓✓
- investors' confidence – investments – more production units ✓✓

(Accept any other correct relevant response) Any (2 x 2) (4)

3.3 **DATA RESPONSE**

3.3.1 **What does the acronym BBEE stand for?**

Broad-Based Black Economic Empowerment ✓ (1)

3.3.2 **Which government department is responsible to ensure that the B-BBEE policy becomes a reality?**

Department of Trade and Industry / DTI ✓ (1)

3.3.3 **Briefly describe the term *industrial development*.**

The extensive development of organised economic activity for the purpose of creating manufacturing, mining, agricultural and services industries ✓✓

(Accept any other correct relevant response) (2)



3.3.4 **What positive role does the Industrial Policy Action Plan (IPAP) play regarding black economic empowerment?**

IPAP will play a positive role in black economic empowerment by:



- focusing on many sectors (clothing, textiles, motor, tourist) which gives an opportunity to the disadvantaged to partake actively in the economy ✓✓
- supporting new BEE business ventures through giving advice and give them access to finance ✓✓
- providing skills development programmes to BEE entrepreneurs especially in the labour intensive industries ✓✓

(Accept any other correct relevant response)

(2)

3.3.5 **What can be done to promote entry of black entrepreneurs into businesses?**

Entry of black entrepreneurs into business can be promoted by:

- initiating proper and effective legislation (preferential procurement) ✓✓
- supporting houses or chambers that drives equal representation in the economy ✓✓
- ensuring proper education and training and mentoring (incubation programmes) ✓✓
- offering financial support where needed ✓✓
- monitoring BEE compliance and action through legislation ✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)



3.4 Briefly discuss the **supply-side approach** in promoting economic growth.

- The supply-side approach aims at increasing economic growth by improving the economy's ability to supply goods and services ✓✓
- Government intervention aims to facilitate the smooth operation of markets in order to stimulate growth and development ✓✓
- This includes anything that can influence the aggregate supply of goods and services, with the focus on microeconomic components. ✓✓ e.g. competition and potential output ✓
- Through protection of competition, promotion of SMMEs integrating of black people in the mainstream economy and privatising part of the public sector ✓✓
- Improving education and training, keeping taxes in check and regularisation, encourage investments ✓
(Allocate marks for any data included under *effectiveness and efficiency of markets, business efficiency and costs of doing business*)

Natural resources ✓

- Natural resources are important to our economy as they form the basis of production in the primary sector. ✓✓
- Natural resources also become an important input to the manufacturing process of the secondary sector, as raw materials and also some intermediate goods to sustain production. ✓✓

Labour force/human resources ✓

- The quality of a country's labour, which is revealed in the skills, knowledge and health of its workers represents the asset of human capital ✓✓
- Higher levels of quality humans leads to higher productivity of labour, which results in a higher output of goods and services ✓✓

Capital ✓

- A country could use its capital goods and increase its production capacity as well as providing the infrastructure to support production ✓✓
- If capital formation takes place there is an increase in the available capital stock ✓✓
- This enables producers to produce more goods and services, which will lead to an increase in economic growth ✓✓

Entrepreneurs ✓

- This involves the challenge of combining the factors of production in the most efficient way to produce quality goods and services ✓✓
- Countries that engage in entrepreneurship programmes have economic wealth, which is indicated in their high per capita income levels ✓✓

Technology ✓

- A key aspect to development is to prepare and adjust towards the fourth industrial revolution in the business world ✓✓ (4 x 2)
(Accept any other correct relevant response)
(Allocate maximum of 4 marks for examples or mere listing of facts)

(8)

3.5 Why are Special Economic Zones important to the economy?

The establishment of Special Economic Zones is important because:

- they are in geographically designated areas of a country, set aside for specifically targeted economic activities, which are then supported through special arrangements, and which may include laws and support systems to promote industrial development ✓✓
- SEZs are used by many economies to promote economic growth and industrialisation ✓✓
- SEZs are used as instruments for attracting foreign direct investment, alleviating large-scale unemployment, developing and diversifying exports and experimenting with new policies ✓✓
- the DTI through this policy strives to create employment and economic growth by establishing a strong industrial base in South Africa ✓✓
- most outcomes of SEZs are expanding the manufacturing sector and creation of more industries ✓✓
- the draft legislation sets the basis for the SEZs for a broader range of industrial parks and economic infrastructure ✓✓
- of the provisioning of effective clustering of value-adding processes where employment creation is taking place and a wide variety of skills are needed in manufacturing (labour intensive) ✓✓
- SEZ act as a magnet for rapid development and investments in key growth areas ✓✓
- SEZ leads to the development of new industrial regions through establishing new industrial hubs in under-developed regions ✓✓
- SEZ are used for aspects such as export promotion, enterprise development, urban renewal, rural development and regional production ✓✓
- SEZ support the governments strategic objectives of industrialisation and employment creation ✓✓
- SEZ programmes are also crucial for domestic investment due to incentives ✓✓

(Accept any other correct relevant response)


(Allocate maximum of 2 marks for examples or mere listing of facts)

(8)
[40]



QUESTION 4: MACROECONOMICS AND ECONOMIC PURSUITS

4.1 Answer the following questions.

4.1.1  Give any TWO benefits of the Expanded Public Works Programme (EPWP).

- Provide jobs and income ✓
- Create opportunities to develop skills (working experience) ✓
- Provides infrastructure, social security (reduce poverty) and improving living standards ✓

(Accept any other correct relevant response) (2 x 1) (2)

4.1.2 How will the decentralisation of industries contribute towards employment creation in the country?

This uses the available labour and factors of production effectively for the benefit and development of the local communities / the people from rural areas can be provided with skills and training ✓✓
(Accept any other correct relevant response) (1 x 2) (2)

4.2 DATA RESPONSE

4.2.1 Give ONE example of a non-durable good.

Food / Fuel ✓

(Accept any other correct relevant response) (1)

4.2.2 Name ONE other item that is used to calculate GDE.

- Final consumption expenditure by government ✓
- Gross capital formation ✓
- Residual item ✓

(1)

4.2.3 Briefly describe the term *durable goods*.

Its goods that can be used over and over for a long period ✓✓
(Accept any other correct relevant response) (2)


(2)

4.2.4 Why are the figures above NOT a true reflection of GDE growth?

The figures above reflects current prices / The figures do not reflect constant prices / Inflation not excluded ✓✓
(Accept any other correct relevant response) (2)



4.2.5 Calculate the percentage contribution on services by households in 2017.



$$\% \text{ Contribution} = \frac{1\,199\,221}{2\,764\,397} \times \frac{100}{1}$$

$$= 43.38\% / 43.4 / 43$$

OR

$$\% \text{ contribution} = \frac{1\,199\,221}{2\,765\,056} \times \frac{100}{1} \quad (4)$$

$$= 43.37\% / 43.4 / 43$$

4.3 DATA RESPONSE

4.3.1 Which ministry (department) is responsible for the presentation of the national budget speech to the parliament?

Department of finance ✓ (1)

4.3.2 Name any ONE form of direct tax payable to the state.

Income tax (PAYE) / capital tax / property tax / company tax ✓
 (Accept any other correct relevant response) (1)

4.3.3 Briefly describe the term *budget*.

A budget is a document showing anticipated revenue and estimated expenditure for a specific period ✓✓
 (Accept any other correct relevant response) (2)

4.3.4 How will the increase in carbon tax on plastic bags benefit the economy?

- It will reduce environmental pollution ✓✓
 - It will increase government revenue ✓✓
- (Accept any other correct relevant response) (2)



4.3.5 **Briefly describe the extent to which the government addresses economic equity.**

The budget addressed economic equity by:



- redistributing wealth through a progressive tax system, making higher income earners paying more taxes ✓✓
- providing most required free social services e.g. education, primary health care, free tertiary education, provision of housing and utilities to the poorest part of the community ✓✓
- providing a platform for all gender and racial boundaries to be crossed ✓✓

The budget failed to address economic equity:

- increasing VAT by 1%, affecting the poor in a more serious way compared to other income groups ✓✓
- introducing the carbon tax reduced the individuals' disposable income and company profits ✓✓

(Accept any other correct relevant response)

(2 x 2)

(4)

4.4 **Briefly describe free market orientation and competitiveness as guidelines for regional development in South Africa.**

Free market orientation:

- Economies need to support industrial development policies, key actions plans with sufficient human and financial resources to ensure that they are of a scale large enough to achieve structural changes in the economy ✓✓
- This involves customising industrial financing to address specific constraints and opportunities with the World Trade Organisation (WTO) rules ✓✓
- Financing should be made conditional on receipt of firms achieving measurable benchmarks ✓✓
- Government intervention in markets should be kept to a minimum so the forces of supply and demand and profit motives can allow for efficient allocation of resources ✓✓

(2 x 2)

Competitiveness:

- Industries or businesses established as a result of regional policies should become competitive ✓✓
- They should not require on-going financial aid from government ✓✓
- To compete in the global markets and meet the challenges of globalisation economies need to focus more on product differentiation and shorter production cycles ✓✓
- This would lead to greater integration between firms both domestically and internationally ✓✓
- Greater product innovation and quality which lead to a movement away from mass production of standardised products towards manufacturing of a variety of semi-customised goods by skilled, adaptable work-force ✓✓

(Accept any other correct relevant response)

(2 x 2)

(Allocate a maximum of 4 marks for mere listing of facts or examples)

(2 x 4)

(8)

4.5 **How does an improvement in the terms of trade influence the balance on the current account?**

- The terms of trade indicates the ratio of the index of export prices to import prices ✓✓
- An increase in export prices / A decrease in import prices will improve the terms of trade. ✓✓
- This will result to an improvement of exports compared to imports affecting the current account positively. ✓✓
- This can lead to a reduction in the deficit or an increase in the surplus on the current account ✓✓
- which will reduce the pressure on the reserves ✓✓
- might however - over the long term - result in a decrease in sales volumes, depending on the price elasticity of demand in the foreign countries ✓✓
- less income being generated by exports leading to a welfare loss ✓✓

(Accept any other correct relevant response)

(Allocate a maximum of 2 marks for mere listing of facts or examples) (4 x 2)

(8)
[40]

TOTAL SECTION B: 80



SECTION C

QUESTION 5: MACROECONOMICS

- Discuss import substitution as an international trade policy under the following headings:
 - Advantages (8)
 - Disadvantages (8)
 - Methods (10) (26 marks)
- Why should free trade be favoured instead of protectionism? (10 marks) [40]

INTRODUCTION

This is when countries introduce policies to encourage the production of imported goods locally ✓✓

(Accept any other relevant introduction)

Max (2)

BODY: MAIN PART

ADVANTAGES

Increased employment ✓

- Local workers rather than foreign workers are employed to produce the goods that substitute foreign goods ✓✓
- Increased employment, in turn, stimulates the economy and GDP increases ✓✓

More choice ✓

- Because goods are no longer imported but locally produced, foreign exchange that become available can be used for other imports thereby increasing the choices made available to consumers ✓✓
- There exists a broader industrial base and countries become less vulnerable as a result of boycotts and sanctions ✓✓
- Decrease in imports that impacts positively on the balance of payments ✓✓

Diversification ✓

- The domestic economy becomes more diversified by producing a greater variety of goods locally ✓✓
- and is less vulnerable to foreign actions and conditions such as price increases of foreign goods and financial turbulences in the foreign markets ✓✓ (Max 8)

DISADVANTAGES

Capital and entrepreneurial talent ✓

- These are drawn from the areas of comparative advantage to areas where protection stimulates profits artificially ✓✓

Technology is often borrowed from abroad ✓

- Where capital is in abundance, technology does not seem to be a problem ✓✓
- As a result, production methods that may suitable for a country's production structure are employed ✓✓
- It lowers the competitiveness of sectors where a comparative advantage does exist ✓✓
- It often leads to demands for the protection of industries that provide inputs ✓✓
- Capital and entrepreneurial talent are drawn away from the areas of competitive advantage to areas with higher profits due to protection ✓✓

- Imports do not decrease necessarily, because technologies and intermediate products are imported from abroad. ✓✓
- Artificial profits are created as a result of the protection of industries. ✓✓
- Competitiveness is reduced in sectors where there is a comparative advantage. ✓✓
- Local production may be inadequate because they are protected from international competition. ✓✓

(Max. 8)

(Accept any other correct relevant response)

METHODS



Tariffs ✓

- These are also known as customs duties or import duties) are taxes on imported goods ✓✓
- They can be ad valorem as a percentage of the value on luxury goods ✓✓
- such as cars, jewellery ✓
- or specific an amount per unit, mass or size ✓✓
- which can be applied on food, animals ✓
- The effect of imposing a tariff is to raise prices for domestic consumers and in the absence of any retaliation, shift demand from imports to domestically produced goods ✓✓

Quotas ✓

- A quota is a limit on the supply of a good or a service ✓✓
- Although quotas can be imposed on exports, quotas are more common e.g. a quota may place a restriction on the import of bicycles say 10 000 a year or up to R10 000 worth of bicycles ✓✓
- The effect of a quota is to reduce supply and this is likely to push up the price ✓✓
- Foreign enterprises will experience a reduction in the quantity they can sell, but they may benefit from the higher price if demand for their products is inelastic ✓✓

Subsidies ✓

- Subsidies in transport costs or employment to domestic enterprises that export goods may be used as an indirect way of protecting them ✓✓
- like the subsidies paid to European farmers ✓✓
- This subsidies may enable relatively high cost domestic enterprises to undercut more efficient foreign enterprises in the domestic market ✓✓

Exchange controls ✓

- A government or a free trade area, may seek to reduce imports by limiting the amount of foreign exchange made available to those wishing to import goods and services or to invest or travel abroad ✓✓
- Exchange controls requires that all foreign exchange earnings by residents needs to be handled over to the central bank on their receipt ✓✓
- Those who need to make foreign payments then have to apply to the central bank, which rations them ✓✓



Physical controls ✓

- Physical controls usually take the form of a complete ban or an embargo on the imports of certain goods ✓✓
- An embargo is a ban on the export or imports of a product and or a ban on trade with a particular country ✓✓

- a country may for example ban the export of arms to a country with a poor human right records ✓
- It may also ban imports, say drugs and is likely to break off trading relations with a country during a military conflict ✓✓

Diverting trade ✓

- import deposits / quality standards / administrative obstacles / time consuming customs procedures ✓✓

Local content requirements ✓

- The government can require that a certain percentage of the goods be made locally ✓✓ (Max. 10)

(Accept any other correct relevant response)

(Allocate a maximum of 8 marks for mere listing of facts or examples) (Max 26)

BODY: ADDITIONAL PART

Free trade should be favoured over protectionism because free trade:

- would be benefitting the country that specialises in the production of certain products or services to make use of resources as efficiently as is possible ✓✓ compared to protectionism where it is difficult to design a policy of protection and decide whether a particular industry is beneficial to the whole country or not ✓✓
- is opening up markets and enhances more competition in the international markets ✓✓ compared to protectionism which encourages import substitution, not the export of goods ✓✓
- is making available a variety of goods and services into the local markets and spoils consumers with more choices ✓✓ compared to protectionism which can activate the inflation spiral, because the costs involved in protection leads to more expensive locally produced goods ✓✓
- assists businesses or enterprises finding better ways to improve their economies of scale while at the same time producing quality outputs ✓✓ compared to protectionism where the disadvantages of higher prices against the advantages of lower imported prices is difficult to weigh up in the long term ✓✓
- is bringing new technology and innovations in the way of doing business the most cost- effective manner possible ✓✓ compared to protectionism where economic growth (increase in production) and job creation is dampened ✓✓
- is contributing to the movement of people and goods between nations with ease ✓✓ compared to the more rigid approach of protectionism where it is difficult to identify infant industries that maybe granted temporary protection ✓✓
- reducing the knowledge and expertise gaps amongst nations due to ease and simple way of interaction amongst nations ✓✓ compared to protectionism where industries that have been granted protection, tend to become dependent on it and cannot survive without it ✓✓

(Accept any other correct relevant higher order response)

[Max.10]

(Allocate a maximum of 2 marks for mere listing of facts or examples)

(Allocate a maximum of 6 marks if candidates focused on free trade or protectionism)

CONCLUSION

A country's degree of survival depends primarily on its ability to sustain the manner and ways of functioning despite the need for international trade ✓✓ (Max 2)
(Accept any other correct relevant higher order response)

QUESTION 6: ECONOMIC PURSUITS

- Discuss social indicators in detail under the following headings:
 - Education (8 marks)
 - Services (8 marks)
 - Demographics (10 marks) (26 marks)
- How can the use of social indicators assist government in decision-making? (10 marks) [40]

INTRODUCTION

Social indicators are a measure that economists or government use to evaluate the performance of a country in terms of the social well-being of its citizens ✓✓
(Accept any other relevant response) (Max. 2)

BODY

EDUCATION

People's standard of living is directly related to their level of education. Five or Six years of schooling is essential for the achievement of sustainable literacy and numeracy skills.

- Public expenditure percentage. ✓ This shows the percentage of public expenditure that is directed towards education. ✓✓
- Secondary enrolment percentage. ✓ This shows the percentage of the designated age group attending secondary education. ✓✓ In high-income countries, learners of a younger age attend secondary education. ✓✓
- Primary completion. ✓ This shows the percentage of the designated age group that completed primary education. ✓✓ It serves as indication for efficiency. ✓✓
- Youth literacy rate. ✓ This shows the percentage of the designated age group (15 - 24 years) that are literate. ✓✓ It serves as indication for the outcome of the education system. ✓✓ (Max 8)

SERVICES

Services are vital to enhance people's lifestyles and level of economic and social development In South Africa, in terms of the Constitution's requirements of human dignity and social justice ✓✓ the following are identified:

- **Electricity** ✓
 - The national Electricity Regulator reports that 84% of households has access to electricity in 2011 ✓✓
- **Refuse removal** ✓
 - Some 61% of households in South Africa had access to refuse removal by the local authorities once a week ✓✓
- **Water supply** ✓
 - Some 89% of households had access to clean water in 2010 ✓✓
 - this is the average of urban and rural access to improved water schemes ✓✓
 - improved water resources refers to an adequate amount of water from sources ✓✓
 - like households' connections / taps inside the yard / public taps / boreholes / protected springs / and rainwater collection ✓

- **Sanitation** ✓
 - Just over 71% of households in South Africa had access to functioning basic sanitation in 2010 ✓✓
 - e.g. flush toilets / pit toilets with ventilation pipes / and chemical toilets ✓
- **Social security** ✓
 - The government provides social grants in the form of cash transfers to individuals who qualify and poverty relief programs ✓✓
- **Telecommunications** ✓
 - The number of people with access to landlines and cellular phones has increased considerably over the last few years ✓✓
 - This has supported business and the economy positively ✓✓
- **Transport** ✓
 - South Africa has the largest transport network in Africa, which is used by the workforce and business to get to workplaces ✓✓
 - Transport is the backbone of any country and an effective system can promote economic growth and development ✓✓

(Max 8)

DEMOGRAPHICS

- Demographics refers to data collected relating to the composition of the population of a country, such as size, race, age, sex, income, geographic distribution, language, education, occupation, religion, birth rate, fertility rate, life expectancy at birth, infant mortality rate, death rate ✓✓
- Different demographic criteria are used to classify people in a population ✓✓
- These criteria include age, race, gender, income and education levels ✓✓
- Demographics are often used as an indicator of what the composition of a group within a population should be ✓✓
- In South Africa the labour force of a business is expected to reflect the racial demographics of the population where the business is situated ✓✓
- According to the United Nations annual growth rate of the South African population from 2010 to 2015 is 0,5% ✓✓
- One reason for this may be the high prevalence of HIV and AIDS which leads to a high mortality rate ✓✓
- Demographics related to the age composition of the population has important implications for public expenditure ✓✓
- The absolute size of the population as well as the change in the population are important when considering demographics as a social indicator ✓✓
- The Human Development Index represents an intention to define human well-being more broadly. It provides a combined measure of three basic dimensions of human development: health, education and income ✓✓

(Max 10)

(Accept any correct relevant response)

(Allocate a maximum of 8 marks for mere listing of facts or examples) (Max. 26)



BODY: ADDITIONAL PART

Social indicators help in decision-making by:

- providing clear direction in terms of policy decision making ✓✓
- assisting the government to look into other areas of need through the budget ✓✓
- improving social cohesion and interdependence ✓✓
- focusing on the areas of dire need in communities and spend on them ✓✓
- improving health and educational facilities ✓✓
- investing more in the future quality labour force for the progression of the economy ✓✓
- spending more on the improvement of the quality of life of the general population and reduce social tensions ✓✓
- accessing to basic services such as water, housing and electricity. ✓✓
- comparing the progress in the societies of different countries. ✓✓
- evaluating the performance of a country in terms of the social well-being of its citizens. ✓✓

(Accept any other correct relevant higher order response) (Max.10)

(Allocate a maximum of 2 marks for mere listing of facts or examples)

CONCLUSION

Social indicators are the most important instrument to check on the health and education of the people and assist government in allocation of funds to improve the health and education that will ensure sound human development ✓✓ (Max. 2)

(Accept any other correct relevant higher order response)

[40]

TOTAL SECTION C: 40
GRAND TOTAL: 150

